

Public Abstract

First Name: William

Middle Name: D

Last Name: PhD

Academic Program: Business Administration

Adviser's First Name: Dan

Adviser's Last Name: French

Co-Adviser's First Name:

Co-Adviser's Last Name:

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Title: Essays on Closed-end Funds: Internal versus External Management and Insider Trading

This dissertation examines two aspects of closed-end funds. First, a limited number of these funds maintain the historical management structure of internally allocating resources to investments as opposed to hiring an advisor external to the fund to conduct these operations. These internally managed funds realize a significant cost savings and claim this advantage is passed through to shareholders in the form of superior returns. While I do find significantly lower expenses for the internally managed funds, these expense savings are reflected as increased investor returns only over a long investment horizon. I conclude that claims of superiority of the internal management model to be erroneous.

Second, insider trading has dominated the financial press recently. Due to a known portfolio of assets and external forces limited to basically supply and demand, closed-end funds provide a very stable environment in which to examine insider trading. While I do find significant insider trading relative to the fund's discount, I do not find this to be evidence of any omniscience, but merely a trading strategy based on the mean-reverting nature of the fund discount. This is a trading strategy available to all investors, not merely the insiders. I conclude that some aspects of insider trading regulation may be overly onerous.